

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into student income support

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YAPA is the peak community group working in the interests of young people and youth services in NSW. YAPA strives to achieve social justice for young people, including the appropriate provision of services for young people.

It has long been YAPA's position that unemployment benefits, wages and student income support should realistically reflect the living costs of young people, and that changes should be made to current policy determining minimum wage and government benefits to ensure that the financial allowance given to young people is adequate to meet their living costs and ensure their security and wellbeing.

This submission draws on existing qualitative and quantitative research into the impact of income support on students, as well as specific intensive consultation conducted by YAPA with over 50 young people, their parents, and professionals working with young people.

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Overview of Income Supported Students in Australia

54.1% of young people between 15 and 25 who leave secondary school go on to some kind of further education or training, including certificate and diploma courses and university.¹

In 2002 there were more than half a million (517 608) students under 25 in Australian universities, making up 57.7% of the total university student population. More than 80% of these students are Australian citizens – meaning roughly 410 thousand Australian university students are under 25.

23.3% of university students (29.3% of fulltime and 2.5% of part-time) under 25 received Youth Allowance, that is around one hundred thousand Australian young people.² An additional one hundred and fifty thousand young people receive Youth Allowance as secondary or TAFE students, and under the Abstudy scheme. Policy about student income support impacts on a significant proportion of Australian young people.

The Adequacy of Student Income Support

What makes the support given to students adequate or inadequate is a combination of a range of factors. Poverty is perhaps the most obvious and tangible measure, but a whole host of assumptions about students and their financial needs also contribute to a judgement about whether current supports are adequate. Living costs, family and relationship strain, the pressure to work whilst studying fulltime, stringent barriers to access, the cost of education, and faulty underlying rationale for the amounts set for study benefits all combine to produce a structure of income support for students that, whilst necessary and appreciated, continues to be inadequate.

Students in Poverty

Current student income support across all benefit categories is financially inadequate. It is beyond dispute that unsupplemented Abstudy, Austudy and Youth Allowance benefits place students below the poverty line.

The Henderson poverty line represents the disposable income necessary to support an individual's basic needs.³ As a stand-alone income, even the highest payments available to students fall significantly short of the poverty line. Students living away from home, receiving the highest amount of rent assistance, are still more than 15% below the appropriate poverty line (see figures 1-3 on next page).

¹ Education and Work Australia 2002 ABS cat co 6227

² The Foundation for Young Australians; *Profile of Young Australians: Facts, Figures and Issues*, March 2004

³ The poverty line is calculated for a two parent two child family, and the line for an individual is then derived using an equivalent set of scales Melbourne Institute of Applied Economic and Social Research "Poverty Lines: Australia" ISSN 1448-0530 December Quarter 2003

Figure 1: Comparison of Centrelink Youth Allowance to Henderson Poverty Line⁴

Income unit	Base Rate (fortnightly)	Rent assistance (fortnightly)	Total Payment \$ per week	Poverty line per week	Rate as % of poverty line
Youth Allowance single at home under 18	\$174.00	N/A	\$87.00	\$146.35 *	59.45%
Youth Allowance single away home/independent under 18	\$318.50	\$95.40	\$206.95	\$245.25	84.38%
Youth Allowance single at home over 18	\$209.70	N/A	\$104.85	\$146.35 *	71.64%
Youth Allowance single away home/independent over 18	\$318.50	\$95.40	\$206.95	\$245.25	84.38%

Figure 2: Comparison of Centrelink Austudy to Henderson Poverty Line

Income unit	Base Rate (fortnightly)	Rent assistance (fortnightly)	Total Payment \$ per week	Poverty line per week	Rate as % of poverty line
Austudy single	\$318.50	\$95.40	\$206.95	\$245.25	84.38%

Figure 3: Comparison of Centrelink Abstudy to Henderson Poverty Line

Income unit	Base Rate (fortnightly)	Rent assistance (fortnightly)	Total Payment \$ per week	Poverty line per week	Rate as % of poverty line
Abstudy under 17 home/care	\$174.30		\$87.15	\$146.35 *	59.55%
Abstudy 18-20 home/care	\$209.70		\$104.85	\$146.35 *	71.64%
Abstudy under 16 independent	\$318.50	\$95.40	\$206.95	\$245.25	84.38%
Abstudy 16-20 independent	\$318.50	\$95.40	\$206.95	\$245.25	84.38%
Abstudy 21 + independent	\$389.00	\$95.40	\$242.20	\$245.25	98.76%

⁴ Unless otherwise indicated, the poverty line is inclusive of housing costs

* Poverty line adjusted to represent only amount other than housing costs.

The significance of students living in poverty is made even clearer when students themselves explain what the poverty line means in their day to day living:

I live in a cramped dump, sharing a room, and so have little privacy, and have to negotiate with 4 other people when I want quietness to study. It's cheap and close to town, and I can't afford to live in a nicer place. In winter it's especially cold and draughty, 'cause it is old and the windows aren't sealed. I just don't buy new textbooks and clothes. *(from a student in a regional centre)*

Youth Allowance is inadequate, especially if you are raising a family as well. This amount of money does not even cover the food my family eats a week. *(from a student with two children)*

I receive Youth Allowance, however everything is expensive and the money I receive hardly covers everyday costs. On top of this being a student isn't cheap. There are student fees, textbooks, photocopying costs (10 cents per page, average \$1.50 per reading, minimum 6 additional readings/articles for assignments per week), parking fees if you can afford a vehicle and so on. *(from a student in a regional centre)*

Young students have the same expenses as any other Australian – accommodation, food, utilities upon which they receive no discount. They have up-front educational institution fees (distinct from course fees or HECS), textbooks and other equipment costs, Internet and computing, photocopying and printing. Their car and house insurance, their health care and basic clothing needs are the same as any other citizen.

The Rationale of Government Support

The inadequacy of student income support payment is not merely in the 'dollar amount', but also in the premises upon which the system and policy that student income support is built upon.

The dollar amounts available as *study* benefits are directly comparable to (age based) *unemployment* benefits. Indeed, Youth Allowance covers both students between 15 and 25 and unemployed young people between 15 and 21. In some cases, young people receive more on unemployment benefits than on study benefits: the 'Newstart' allowance for over 21 year olds is \$389.20 per fortnight compared to \$318.50 for students. The irony – and inconsistency is not missed by students, as this student from a regional centre demonstrated:

I was blown away when I finished uni and went to the Newstart allowance and got more money than I ever had on youth allowance and I had no textbooks to purchase, no accumulating HECS and more money!

It simply does not make sense to determine the level of income support available to students according to the same rationale as that available to the unemployed. The level of financial assistance available to the unemployed is deliberately set low as a negative incentive – firstly, so that people who are unemployed will prefer minimum wage to unemployment benefits, and secondly, because it is believed unemployment is a short term life event, which requires bridging assistance, not long-term financial support. Both are meaningless rationale when applied to students.

Income support for the unemployed was originally designed to provide financial assistance for short periods of unemployment. When the Commonwealth government first introduced Unemployment Benefits in 1945 it was seen as a temporary measure protecting workers from poverty as they moved between jobs. It was premised on the policy of full employment, by which it was understood that workers would only be unemployed for brief periods. Therefore the payment was kept to a minimum level necessary for short-term subsistence. It was also kept substantially lower than minimum award wages, as an incentive to find work. The level of financial assistance available to the unemployed continues to reflect this philosophy, despite the fact that foundational assumption is increasingly disproved. The median duration of unemployment is 21 weeks for men and 16 weeks for women. 19.7% of all unemployed people are long term unemployed – that is, out of the labour force and looking for work for over 52 weeks.

The premise for unemployment benefits falls apart when applied to the current actual reality of unemployment. But it never made sense to model study benefits according to the same logic.

Unlike unemployment, study *by its very nature* is a long-term situation. Full time study is rarely less than six months, and the average university degree is four years. Structuring the financial assistance available to students in accordance with the “short-term” assistance available to the unemployed is inconsistent, philosophically unsound and results in an inadequate assistance.

Rent assistance

Rent assistance is only available for rent over a certain amount (\$84.8 per fortnight for singles), is not payable for government houses or flats, and is subject to an additional means test. Median weekly rents in NSW are estimated at (A\$/week) Sydney \$260, Inner Sydney \$330, NSW \$230.⁵ Rent assistance is paid at a *maximum* of \$95.40 *per fortnight*, an amount welcomed by students on Youth Allowance, denied to Austudy recipients, and generally inadequate to cover even a quarter of median weekly rental costs in NSW.

I work with young people at risk of homelessness or who are homeless, and the Youth Allowance payment just does not cut it for independent living. With increasing private rental market costs, and the steady decline and cut back of the public housing sector, young people have to hit rock bottom before they can get housing assistance, and in any event then there is a shortfall in emergency accommodation. If young people can not afford to live in a house independently, paying more than 50% of their income (Youth Allowance) in rent, the Youth Allowance is not enough to support them to study. Young people, unless receiving additional support from their parents, can not afford to live on merely the allowance. (*Youth Worker*)

Age of Independence

Study benefits, like unemployment benefits are subject to an age scale. Austudy and Youth Allowance represent a demarcation between under 25 study benefits and over 25 study benefits. A similar demarcation is seen within Abstudy, with discrete age brackets of under 16, 16-20 and over 21. The age of independence is based on the rationale that parents continue to support children financially as adult students. This may reflect a government preference for who should assume financial responsibility, but does not reflect the reality of who does assume financial responsibility. The result is that student are inadequately supported.

Independent Students and Parental Support: Attitudes and Realities

The assumption - and expectation – is that young people live 'at home', and are hence supported by their parents. The idea is that they therefore do not have the same level of payment need as 'adults'. However, research shows that this is an attitude not shared by students and their parents,

In two surveys of 1,027 young people aged 15-24 and 1,001 parents research by the Department of Family and Community Services found that 52% of students (and 40% of parents) reported that parents did not give students money. Only 16% of parents claimed that they gave money on a regular basis.⁶ Interesting too are the attitudinal trends this research uncovered. The researchers questioned

⁵ NSW Department of Housing, Rent and Sales Report No. 64 June quarter, 2003

⁶ Maria Luteria and Jenny Bourne (Department of Family and Community Services "Financial Independence and Youth Allowance: Young People's and Parents' Views" *Family Futures: Issues in Research and Policy* 7th AIFS Conference Sydney 24-26 July 2000

parents and students on who *they* thought had the greatest financial responsibility for students. The result are shown in the table below:

Figure 4: Most Responsibility for Financial Support of Students (*Parents*)⁷

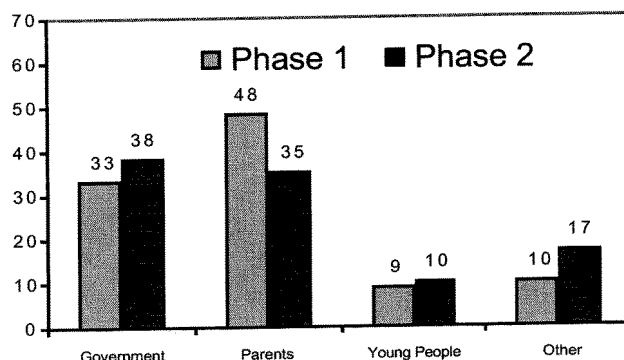
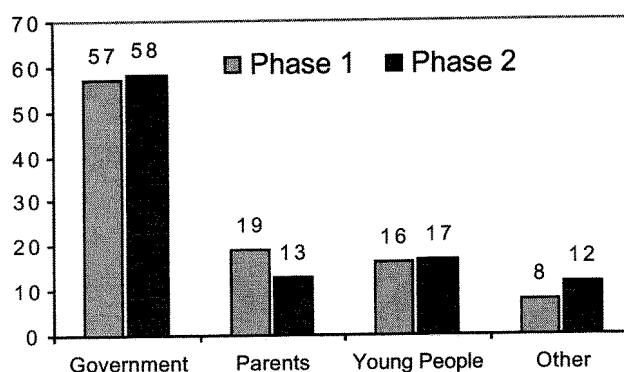


Figure 5: Most Responsibility for Financial Support of Students (*Students*)⁸



In the first phase of surveying, more parents (48%) thought they themselves rather than government (33%) bore greatest responsibility for financial support of students. In the second phase of testing, more parents (38%) thought government rather than parents (35%) bore the greatest responsibility for financial support of students. In summary parents see both themselves *and* government as having a major financial responsibility for students. The evidence certainly shows that parents do not overwhelmingly or in general see themselves as the primary source of financial support for students. Government policy that is

⁷ Luteria and Bourne "Financial Independence and Youth Allowance: Young People's and Parents' Views"

⁸ Luteria and Bourne "Financial Independence and Youth Allowance: Young People's and Parents' Views"

premised on the assumption that parents should and do assume responsibility for students is out of touch with the view of both students and parents and the reality of support provided.

Living 'at home' may offset some 'rent' costs. However, the trend is that young people are paying board and other in kind remuneration for the privilege of living at home. Furthermore, young people do not receive a discount on food, petrol or utilities and they and their families should not be expected to live on discounted income support levels.

Inconsistency with Other Law and Policy

Setting an age of independence at 25 is inconsistent with other government policy and law. Young people are entitled to full adult citizenship rights at eighteen - they vote and stand for election at all levels of government and are added to the jury roll. They drive on our roads and are required to pay tax and can serve in our armed forces, even prior to turning eighteen. At eighteen (and in many instance, before this) young adults are treated equally under both civil and criminal law.

Perhaps the best comparison is the analogy to the Child Support Scheme. Under this scheme, Child Support stops being payable once a secondary student turns eighteen *unless* a court order is sort to extend payment until the end of secondary schooling.⁹ Child Support payment can also continue to be paid for children in tertiary education but only if a special court order is sort. The onus is on a custodial parent to prove in court that they must and will continue to support a tertiary student, and require a contribution from the non custodial parent to do so. However, current Youth Allowance policy assumes that parents will and must continue to support children in tertiary education. The onus is on students to show that parents should not support them – ie that the student is financially independent – or that parents will not support them – ie, meet the 'unreasonable to live at home' criterion.

Setting an age of independence at 25 is also inconsistent with the reality of student living. At least 8.5% of students study in a state away from their permanent residence. Many more students move away from their parents' home in order to live closer to their educational institution. Students occupy independent accommodation and take care of their own day to day living needs – and expenses.

Other Criteria for Independence.

There are, of course, other criteria for independence. One is financial independence. To qualify for this independence status, students must

⁹ Child Support (Assessment) Act 1989 Act s151B

- have been out of school at least 18 months and earned an amount equivalent to 75 per cent of the Commonwealth Training Award Rate in an 18 month period before lodging a claim (currently approximately \$16 500); or
- have worked to support themselves for at least 18 months, working full-time at least 30 hours a week during the preceding two years (or for a period or periods of 12 months if you are considered disadvantaged); or
- have worked part-time for at least 15 hours a week for at least two years since last leaving school

Students frequently point out that earning enough money or working enough hours to satisfy the threshold is incompatible with fulltime study. Students are frequently forced to defer study in order to meet these independence criteria, despite already living independently from their family.

I deferred a year of study to work full-time to qualify for youth allowance. After a year I went back to uni, and now qualify for the youth allowance which helps me survive. *(24 year old student from a regional centre)*

Parental Income Test Threshold

Like the age of independence, this test is based on rationale that parents do and should continue to support their adult children financially. Once again, this is patently flawed. In addition to this, the threshold is set far too low.

Student income support starts to reduce by one dollar for every four dollars the combined income of the parents exceeds \$28 150 before tax. Parents as well as students are placed in real financial difficulty in this income bracket. It is perhaps the biggest disincentive for children of low socioeconomic status to pursue further education.

[the parental income test] keeps students at home for longer, commits them to an area closer to home if their parents incomes are high because they can't get support to live elsewhere. Income limits don't take into account the distance from particular learning centres. *(university student from a rural area)*

It is very unfair. This system assumes that parents will give their children the money which they would otherwise receive from the government. I am an adult now, my parents have their own financial commitments, it is irrelevant what they earn, I am a student and I should receive what others do. *(20 year old TAFE student)*

The Parent Income Test is too low. A number of young people from my town who are going to university "don't get past first base" with Youth Allowance due to this test although the parents are not in a high income bracket, especially for a rural area. Therefore, there is a greater hardship placed on parents to provide financial support for study and living costs for a student living away from home. *(school student from a rural town)*

Parents are concerned about the impact on their *own* level of available income as they are expected to financially support their studying children for longer.

Why is my partner's income included in parental income for my daughter's youth allowance when he is not my daughter's father and does not finance her expenses. The govt assumes that because we live together, he must pay my children's expenses. I wish they would get their assumptions out of the dark ages. As a result of all this, my daughter and I suffer financial difficulties so that she can attend university where the fees are now ridiculously high. This government has a misguided idea of how much it costs to raise a child and send him/her to uni and now they want Aussies to have more children! (*parent of a first year university student*)

The Parental Income Test Threshold should be set a reasonable level to ensure that neither parents nor students are made financially vulnerable. Using the median weekly male earnings would provide a more equitable starting point, producing a threshold of around \$33 000 p/a.¹⁰ The Parental Income Test should not be set so low as to be a disincentive for students of low socio-economic status to further study.

Cost of higher education

Higher education, including higher secondary education, is becoming increasingly more expensive.

Although secondary school 'fees' remain voluntary contributions in government schools, more and more student, parents and support workers involved in families from low socio-economic backgrounds are noticing 'in kind' penalisation of students who cannot afford these donations.

Both TAFE and University course fees are higher in real terms than ever before. NSW TAFE up-front fees (non-deferrable) have in some cases tripled in the last few years. University course fees (HECS) have been raised in most universities in NSW by an additional 25%. The average arts student (the lowest HECS bracket) leaves university after 3 years with a deferred HECS debt of between \$11500 and \$15000. These are daunting amounts of debt to be in.

Although HECS fees do not have to be paid directly, many people including myself fall into other traps to get through financially. (*former student*)

In order to cut back on the costs of provision of education many educational institutions are moving towards on-line/technology based learning which reduce labour costs. However, this move towards technology based learning has shifted more costs back onto students, in a way that government subsidies (ie HECS) cannot compensate. Students must now secure access computing resources to

¹⁰ The mean (average) weekly earnings of employees in all jobs was \$734 in August 2003, an increase of 4% (\$27) since August 2002. The median weekly earnings was \$648 (the median is the amount which divides the distribution of employees into two equal groups, one having earnings above and the other below that amount). ABS cat 6310.0 Aug 2003

submit work, and increasing, find access to the Internet to attend 'class' or meet course criteria.

Not only is reduced class time responsible for greater personal technology costs, but it results in other increased expenses for resources, as self motivated learning is reliant on reading and other materials that are not provided in class. Benefits were not increased to cover the recent loss of the GST exemption on textbooks.

Education costs are going up all the time, as subjects require that you provide more of your own resources [texts, photocopying, printing] and the cost of living, including prices for books & stationary, etc, is also on the rise. (*university student*)

It is really unrealistic to expect students to cope with the rising costs of text-books and on campus facilities. It means students often accumulate heaps of debt in their time at uni- which means that from next year when hecs increases, students are going to be heaps worse off. (*20 year old university student*)

Students and Work

Research conducted in 2001 shows that three quarters of students work whilst at university. On average, a full time student works 14.5 per week.¹¹ One fifth of working students feel their hours of work negatively affect their studies.¹²

I work an odd job, in that it is one week nearly full time every two months. I have to prioritise work over study (or get fired & drop out of uni altogether), so any uni work in this week does not get done. This is sometimes very hard to catch up, and means I sometimes get penalised for handing work in late. (*Youth Allowance recipient*)

Having to work can in some cases jeopardise a student's study and success at university. Work requirements can force students to have to skip classes. The types of jobs and hours worked can be completely inappropriate for students yet it may be the only way that they can survive. (*21 year old university student*)

I have to work long hours to get by and try to study full time as well. I am not able to do as well as I'd like at uni due to having to work etc. This has an effect on my future and current job prospects. (*21 year old student*)

Full time study is directly comparable to full time work. Workloads (which are not limited to class time) are calculated to be equivalent to a 35 five-hour week. With student income support not adequate to cover basic living costs, students are forced to work beyond 'full time' hours just to make ends meet.

¹¹ *Profile of Young Australians* ch 11 p44

¹² *Profile of Young Australians* ch 11 p44

Furthermore, for students on Youth Allowance, every dollar earned over \$62 per fortnight results in a corresponding reduction in the Centrelink payment¹³, until at \$236 per fortnight the benefit is cut off altogether. At around \$230 per fortnight, a recipient is losing around 70¢ per \$1 from their Youth Allowance payment for every dollar earned. And they still pay tax on their earnings. Students must work to meet their basic living costs, and yet there is huge disincentive in the form of financial reduction of their benefit to do so.

Achieving Equitable Access to Education & Access to Education for Young People from Disadvantaged Backgrounds

Our submission up to this point makes it clear that the financial assistance available from government benefits is not adequate to support school, TAFE and University students.

Students from all social, economic, cultural, ethnic and lifestyles backgrounds are struggling under the current system of study benefits. Real access to education is hardest for young people from low socio-economic backgrounds, for young people who have English as a second language, for young people from rural and remote areas, who have dependant children, who are indigenous or have a disability. These people are currently under-represented and under-supported in our education system at the higher secondary and tertiary levels.

For students who themselves, or whose families, are in real financial or social hardship, the current system makes higher secondary and tertiary education unrealistic. Financial hardship as a barrier to accessing education is compounded when students fall into other 'categories' of disadvantage. Being 'lucky' or 'gifted' enough to gain entrance into higher education or stay on to complete secondary school does not offset the difficulties faced by such students. A radically accelerated student who began university classes at the age of twelve put it like this:

gifted students from poor backgrounds are often not identified in school and even where they are they are not considered to need anything 'extra' or 'special' because our intellect is supposed to make up for our disadvantage.

According to the FACS Youth Allowance Evaluation in 2002, young people from NESB were more likely to receive Youth Allowance. In 1998 28% of Australian born secondary students over 15 received Youth Allowance compared to 42% of NESB students.

¹³ the rate is slightly better for Austudy and Abstudy recipients, where the income free area is \$236 per fortnight

Young people in rural and remote areas are more likely to be on Youth Allowance than young people in metro areas. Indeed, it was in regards to the specific issues facing rural students that was found the most concern among the young people, parents and workers we consulted. Rural, regional and remote student in most cases leave home to seek training and study. This means they face high relocation costs that are not adequately covered by study benefits, even where they are eligible. They face higher transport costs, and in areas where government transport initiatives do not operate and hence do not receive any concession on travel.

Students from disadvantaged backgrounds have even less support structures or mechanisms in their home and family environments. They are more 'at risk' of the negative impacts of inadequate income including choosing not to pursue further education because the gap is too wide to bridge between cost of living/studying and the supplied or supplemented income. Education retention and completion rates would be further impacted for students from disadvantaged backgrounds as the increasing pressures for study and independent living impact on their capacities for survival and resilience. (*Youth Worker working with students from disadvantaged backgrounds in a regional centre*)

Improving access to education for people from diverse disadvantaged backgrounds is in part about improving the current system of student income support. But the provision of benefits adequate to ensure the basic living costs of students is only one important element in improving the accessibility of education to disadvantaged people. Improved access to education is also about making the education system itself more responsive to these specific and diverse needs. The specific education initiatives for indigenous Australians need to be strengthened, particularly for the final years of secondary schooling (in NSW many very successful initiatives are only funded until year 10). English education courses in TAFEs and Universities need their fee exempt status reintroduced, rather than attempting to ensure equity solely via specific fee exemptions to individuals.

Recommendations

Increase the financial assistance available to all students.

Study benefits need to be set at a level that is adequate to meet the average basic living costs of an adult. Preferably the additional study related cost unique to students should also be covered in this very basic payment. At the very least, student income support should be set at a level that places student above the poverty line; for example, current benefits should be set at \$250 per week for single independent students.

Develop and adopt an in-principle statement recognising the unique nature of study, particularly in contrast to unemployment.

Education is a long-term life situation that is crucially distinct from unemployment. Investing in students is, in very real terms, an investment in the future of our workforce and nation.

Increase the amount that students are allowed to earn before their benefit is reduced.

Students should not have to undertake employment whilst they are already working full time towards educational qualifications. But until income support is adequate to cover their basic living costs, students should be able to supplement their payments without such severe financial penalty.

Make concessions available to all students on assistance benefits, regardless of level of support.

The provision of in-kind financial support could greatly benefit many students. Health and travel concessions are already available to many recipients of government benefits. This benefit should be extended to all income supported students. Students should also be able to purchase textbooks and other study related equipment tax free, or at a tax discount.

Introduce an allowance or redemption system whereby students can purchase certain necessary study related goods up to a certain dollar amount per year.

Education is dependent on adequate study resources, such as books, equipment and computing goods. (Analogous to a military uniform allowance).

Lower the Age of Independence to 18 for all types of benefit.

The age of independence should reflect other government policy and legislation, as well as the reality for many young people. Benefits should also be available to otherwise eligible students *under* 14 (the current minimum age) where they are undertaking accelerated tertiary education.

Increase the Parental Income Test Threshold.

The threshold should be set at the median male average wage, currently around \$33 000 p/a. The current threshold is too low, placing too high a burden on those least able to bear it – parents and students of low socio-economic status.

Remove course fees for all tertiary education.

Recent increases in HECS must be reversed, and long term planning must aim for universal free education, at primary, secondary and tertiary level.

Increase specialist education services for indigenous Australians, particularly for the final years of secondary education.

Appropriate education and educational facilities need to be provided to ensure that indigenous Australians can access education, and make good use of the study benefits specifically available to them.

Increase specialist education for people from Culturally and Linguistically Diverse backgrounds, including the provision of free English classes.

The quality of education offered impacts on the accessibility of further education, and the real opportunities available to young people from CALD backgrounds.